

## 2007-2008 PERFORMANCE PLAN – Chief Investment Officer (R. Read)

### *Quantitative Performance Measures*

Weight	Factor	Performance Measure	Incentive Schedule	3 <sup>rd</sup> Quarter Status
35%	Total Fund	Excess return in basis points relative to total fund performance benchmark. (SJ1C – CPERSTOT)	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5	-74 bps {(-1.94) - (-1.20)}
10%	Global Equity Performance	Return deviation in basis points relative to: Global Equity performance benchmark (GLOBLIC vs. CPERSGE2)	- 50 basis points = 0 - 10 basis points = 1.0 + 15 basis points = 1.5	-146 bps {(-9.94) - (-8.48)}
10%	AIM Program Performance vs. AIM Benchmark	Total AIM portfolio investment performance vs. Venture Economics young fund median return benchmark for measured time period. Identifiers: N/A – performance and benchmark compiled quarterly by Wilshire	Median = 0 Median +150 = 1 Median +250 = 1.5	Above Target  Excess Return: +2,055 bps
10%	Global Fixed Income	Total Global Fixed Income vs. 88% Lehman Domestic Index/12% WGBI ex US. (SJEK – CPERGFI)	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5	-97 bps {9.39 - 10.36}
10%	Real Estate	Total Real Estate vs. NCREIF Property First Quarter Lag Index.	0 basis points = 0 +50 basis points = 1.0 +75 basis points = 1.5	-602 bps {5.77 - 11.79}
75%	Subtotal	Quantitative Measures		

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## *Qualitative Performance Measures*

Weight	Factor	Performance Measure	Incentive Schedule	3rd Quarter Status
25%	Leadership	<p>Demonstrate leadership within CalPERS and in the external investment community, as both industry and staff (or team) leaders. Dimensions, all of which will be considered, include:</p> <ul style="list-style-type: none"> <li>• <b>Within Investment Group</b> (e.g., teamwork within and across asset classes, timely preparation of staff performance appraisals, appropriate employee recognition)</li> <li>• <b>Trustees</b> (e.g., written and oral presentations to Investment Committee and Investment Policy Subcommittee)</li> <li>• <b>External Investment Community</b> (e.g., relationships with external business partners and stakeholders, presentations at conferences and similar events, representation on external boards and committees)</li> </ul>	<p>Score (0 – 10) 0 = 0 5 = 1.0 10 = 1.5</p>	<p>Launched and developed major team building and strategic planning effort in conjunction with all senior investment staff-- goal is to harness the collective insights of the group to establish the best possible investment effort over the coming decade.</p> <p>Led due diligence evaluation on major Forestland Investment in East Texas and Louisiana.</p> <p>Delivered presentation to board at its off-site geared to re-evaluate or currency hedging and positioning policy and practice.</p> <p>Chaired the President's Working Group on Financial Market Investors' Committee charged with developing the principles and best practices for hedge fund investors.</p> <p>Delivered major talk to the United Nations on responsible environmental investing and climate risk.</p> <p>Provided testimony to the Managed Funds Association and National Association of Public Pension Attornies regarding prudent hedge fund investing.</p>

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		<ul style="list-style-type: none"> <li>• <b>CalPERS</b> (e.g., involvement in enterprise-wide initiatives and programs)</li> <li>• <b>Diversity</b> (e.g., promote meaningful diversity among our investment partners and staff)</li> <li>• <b>Succession Plan</b> (e.g., training and developing strong internal candidates to potentially fill my role in the future)</li> <li>• <b>Strategic Plan</b> (e.g., design initiatives which will meaningfully maintain the investment advantage for CalPERS)</li> </ul>		<p>Presented our strategic approach to infrastructure to a leading group of Southern California policymakers in conjunction with Henry Cisneros.</p> <p>Provided legislative engagement and key work to address deficiencies in AB 1967 which threaten the viability of our private equity program.</p> <p>Hosted Investment Forum for Toigo scholars during their "CalPERS Day".</p> <p>Integrated all SIOs into asset allocation and cash flow management effort.</p> <p>Hired and developed Farouki Majeed (formerly CIO of the Abu Dhabi Pension Fund) as a strong SIO for the new Asset Allocation and Inflation-Linked Asset Class.</p> <p>Launched and drove major strategic planning effort harnessing external consultants and all senior investment staff to identify, develop, and implement the initiatives needed for INVO to remain the leading Institutional Investor among public institutions worldwide.</p>
25%	Subtotal	Qualitative Measures		
100%	Total	Quantitative and Qualitative Measures		